

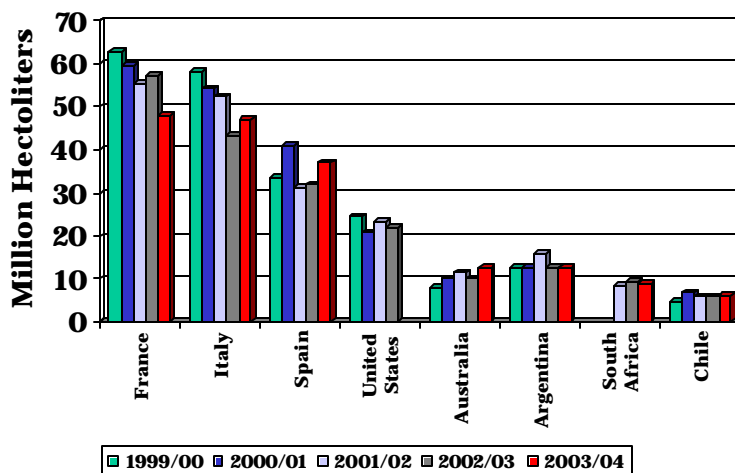
World Wine Situation and Outlook

SUMMARY

The wine trade proved to be very robust during 2003. U.S. wine exports, after leveling off the last few years, took off again to reach a record high of \$634 million. The European Union (EU) 2003 wine production was the lowest in 10 years due to summer heat and drought, and is not expected to increase significantly in the near term due to policy controls. U.S. wine imports have also hit a record of \$3.3 billion as domestic producers continue to battle for market share at home. According to industry sources, wine sales in the United States were up 3.9 percent in value and 4.3 percent in volume. A weaker U.S. dollar against the currencies of key trading partners and a general improvement in the global economy bode well for increased sales for U.S. wines in 2004, with possible value and quantity increases of U.S. wine exports between 5 and 10 percent. This situation must be tempered, however, with the fact that per capita wine consumption is decreasing in some countries, such as Italy, France, and Spain.

Major Market Wine Production and Exports

World Wine Production



•Official Marketing year for France, Italy, and Spain Aug/Jul beginning 2001/2002, Marketing year for Southern Hemisphere countries Jan/Dec. 2003/04 numbers are not yet available for the United States.

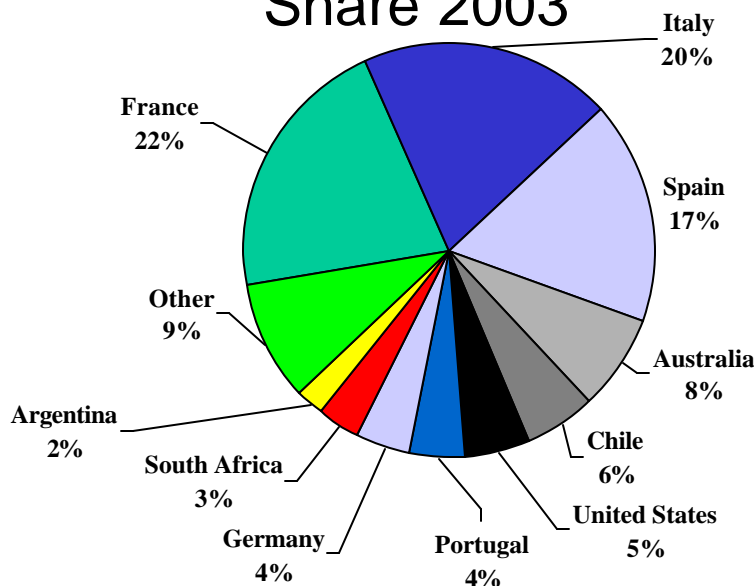
1 hectoliter = 11 cases, 1 case = 12 - 750 ml bottles

Source: U.S. Department of Agriculture, FAS Attaché Annual Reports

Europe saw its weakest wine and must harvest in the past 10 years in 2003, according to a report from COPA-COGECA*. The drop in production is primarily the result of the heat wave and drought that hit central and southern Europe during the summer months of 2003. This is the fourth year in a row that wine production has dropped in the EU-15. The most significant drops in production are in Germany (-21 percent), France (-16 percent), Italy (-16 percent), Luxembourg (-15 percent), and Austria (-11 percent). Overall production increased in Spain, Portugal, and Greece. For more information, see GAIN report #E23213.* In addition, the planting of vines is strictly regulated and controlled in terms of acreage and allowed varieties. Controls remain in place to encourage the production of quality wines while discouraging the production of poor quality. New plantings of wine grapes are prohibited until July 21, 2010 except under certain circumstances. For more information, see GAIN report #E23063.

“New World” (non-European) wine producers such as Australia have increased wine production, while other New World producers are dropping slightly or holding to recent years’ levels.

Wine Export Volume Market Share 2003



Source: Global Trade Atlas

* Committee of Agricultural Organizations in the European Union, General Confederation of Agricultural Co-operatives in the European Union.

* The Global Agriculture Information Network (GAIN) is a variety of reports from the USDA's Foreign Agricultural Service overseas posts. To access GAIN reports, go to www.fas.usda.gov/scriptsw/attachrep/default.asp.

The major European wine producing nations of France, Italy, Spain, Portugal, and Germany have 67 percent of the wine export volume market. The U.S. has 5 percent. The remaining countries have 28 percent of the wine export volume market.

U.S. Wine Production

According to USDA's National Agricultural Statistics Service (NASS) Non-citrus Fruits and Nuts Preliminary Summary, utilized grape production* for 2003 totaled 5.82 million metric tons, down nearly 13 percent from the 2002 crop.

The California crop, which accounted for 89 percent (down from 91 percent

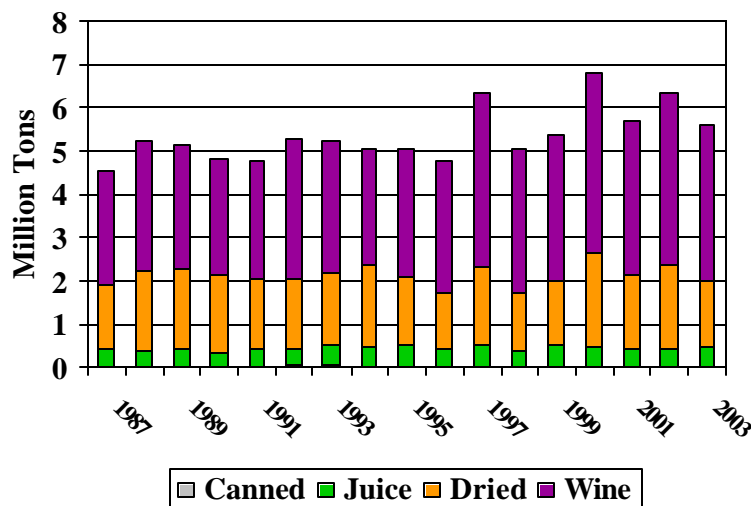
Source: National Agricultural Statistics Service, USDA

during 2002) of the 2003 U.S. utilized grape production, was down nearly 15 percent from the previous year. Also for California, wine-type production decreased almost 8 percent from 2002, raisin-type production dropped 24 percent, and table-type production was down 9 percent. Several days of above average temperatures in July combined with August rainfall all contributed to declines in yield. While some acreage has been taken out of production in recent years, new bearing acreage has been added. The average price during 2003 for California grapes grown to produce wine was \$484 per metric ton, down \$4 from 2002. Unlike California, utilized production increased from 2002 in Georgia, North Carolina, Ohio, Oregon, Pennsylvania, Texas, and Washington.

According to the March 10, 2004 California Grape Crush Report, published by the California Agricultural Statistics Service, the 2003 crush totaled approximately 3.4 million short tons, down 11 percent from the 2002 crush of approximately 3.8 million short tons. Red wine varieties accounted for the largest share of all

* Utilized production is the amount sold plus the quantities used at home or held in storage (National Agricultural Statistics Service).

U.S. Grapes: Processed Utilization



grapes crushed, at 1.6 million short tons, down 10 percent from 2002. The 2003 white wine variety crush totaled 1.2 million short tons, down 4 percent from 2002. Tons crushed of raisin type varieties totaled approximately 351 thousand short tons, down 44 percent from 2002, while tons crushed of table type varieties totaled 84 thousand short tons, up 39 percent from 2002. California grape growers received prices in 2003 for raisin and table grapes that were, on average, above the 2002 prices, while the prices received for red and white wine grapes were, on average, below the 2002 prices. The 2003 average price of all varieties was \$471.46, up 2 percent from 2002. Average prices for the 2003 crop by type were as follows: red wine grapes, \$608.60, down 1 percent from 2002; white wine grapes, \$428.88, down 1 percent from 2002; raisin grapes, \$95.12, up 26 percent; and table grapes, \$91.35, up 13 percent. These price levels have not been adjusted for inflation. Lower prices for wine-type grapes may be linked to overproduction brought by the rapid expansion in wine-grape production in the early 1990s. To download the full report go to <http://www.nass.usda.gov/ca/bul/crush/Final/2003/200303gcbnarr.htm>.

Domestic wine consumption has been rising slowly and consistently over the last 10 years. Only about 25 percent of American adults consume wine. The core wine drinkers (people who drink wine at least once per week) make up less than half of this group. The rest are the marginal wine drinkers. U.S. per capita consumption of wine was 10.76 liters per person in 2002, derived by the U.S. Department of Commerce, Census

Bureau population estimates. Americans are drinking more imported wines from countries such as Italy, Australia, Chile, and Spain. While French wine remains popular, market share has been lost to some of the more inexpensively-priced wines from other countries.

During 2003, domestic wine producers had to discount and promote their wines in the face of large supplies and growing imports. This trend is expected to continue in 2004.

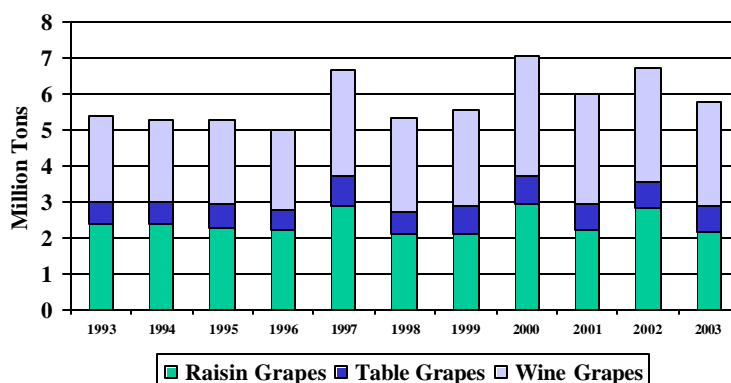
U.S. Wine Exports

The U.S. exported 3.58 million hectoliters of wine during 2003, a 29 percent increase. The top export

June 2004

California Grape Production

(89 Percent of U.S. Grape Production)



Source: National Agricultural Statistics Service, USDA

market for the U.S., the United Kingdom, took most of the volume increases at 25 percent above the year before. The United Kingdom is now nearly 33 percent of our total wine export market. Growth in the second highest export market for the U.S., Canada, also showed strength after lackluster levels during 2002. Japan now ranks as our third top market after exports increased 49 percent during 2003. The Netherlands ranks fourth and increased nearly 28 percent above the previous year. However, The Netherlands is a major transshipment point and much of the product is not consumed there. See page 9 for further information about The Netherlands.

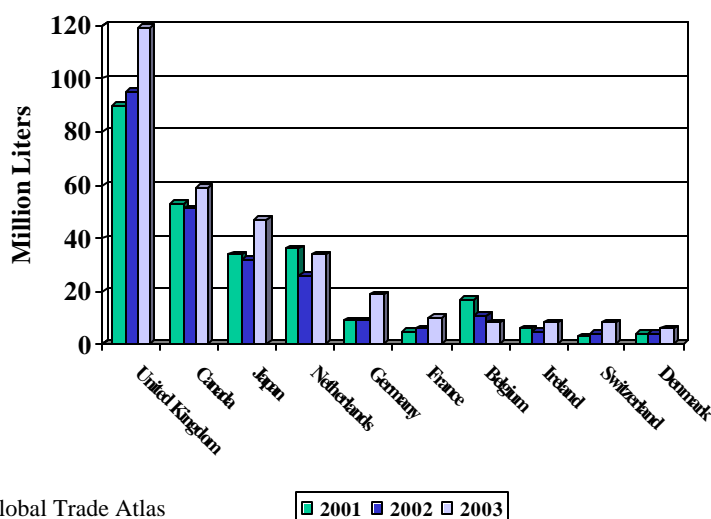
Nations in the EU-25 represent over half of the U.S. wine exports in value and nearly two-thirds of the U.S. wine exports in quantity. Korea and Mexico are the 11th and 12th largest buyers of U.S. wine. Korean imports of U.S. wine have more than doubled since 1999. Mexican imports of U.S. wines have remained steady over the past few years with growth in 2003.

Overall, export values of wine and wine products (including cider, fermented beverages, and must) during 2003 posted an increase of \$91 million for a total of \$634 million.

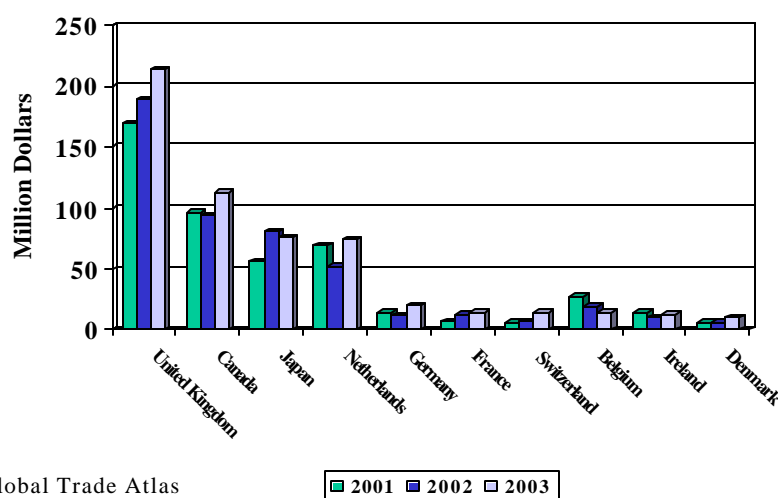
U.S. wine exports grew 7 percent in value during the first four months of FY 2004 compared to the same time period in FY 2003. U.S. wine exports grew nearly 11 percent in quantity during the first four months of FY 2004 compared to

the same time period in FY 2003. For all of FY 2004, value and quantity increases of U.S. wine

U.S. Wine Exports by Volume



U.S. Wine Exports by Value



exports between 5 and 10 percent are possible.

Competitive Environment

The greatest competition to the market share for U.S. wines come from the EU-15 nations, though some of the “New World” producers have become significant competitors as well. Discussion of the largest competitor nations begins on page 11.

The new EU wine regime, begun during Marketing Year 2000/01 seeks the enhancement of quality, a greater market orientation, and the renewal of old vineyards. Appropriations for the wine sector are as follows: 2003, €1.381 billion (\$1.546 billion); 2004, €1.214 billion (\$1.359 billion). For more information, see GAIN report #24054. The top three EU countries account for about 65 percent of global trade.

Largest U.S. Wine Export Markets

United Kingdom

Production: 9,385 hectoliters (2002)

Total imports: \$3.6 billion, 11.7 million hectoliters (mhl) (2003)

Total exports: \$238.6 million, 363 thousand hectoliters (2003)

Sources: GAIN report, *Global Trade Atlas*

Wine production in the United Kingdom is minimal due to the climate. Output is predominately white wine (92 percent). The production total for the 2002 harvest was 9,385 hectoliters, a marked decrease over the previous year’s harvest of 15,800 hectoliters. United Kingdom wine consumption continues to grow, with beer as its strongest competition. Factors contributing to growth include the increasing availability of affordable, good quality wines and increasing British consumer affluence. Despite rising sales, FAS Post reports that the total number of British wine drinkers is falling. Existing consumers, particularly women and those in the 25-64 age range, are simply drinking more. According to *Euromonitor International*, per capita wine consumption in the United Kingdom was 20.8 liters in 2003. Per capita wine consumption was 15.7 liters in 1997.

The strengthening of the euro helped to make U.S. wines more competitive in the United Kingdom. The United Kingdom is the world’s largest importer of wine and the largest market for U.S. wines. During 2003, U.S. exports of wine to the United Kingdom increased nearly 25 percent in quantity, and U.S. export values increased nearly 13 percent to a total of \$212 million. U.S. wines (around 95 percent Californian) have enjoyed average annual growth rates of over 20 percent since 2000, and this market trend shows no sign of abating. United Kingdom imports from all sources were 93 percent still wine, over 5 percent sparkling wine, and over 1 percent flavored wine and vermouth. The U.S. is not a significant player in the United Kingdom market for flavored wine or vermouth. Despite brand and price sensitivity of the UK market, there is potential for niche markets where wines from the Pacific Northwest, New York, Virginia,

and Texas could do very well.

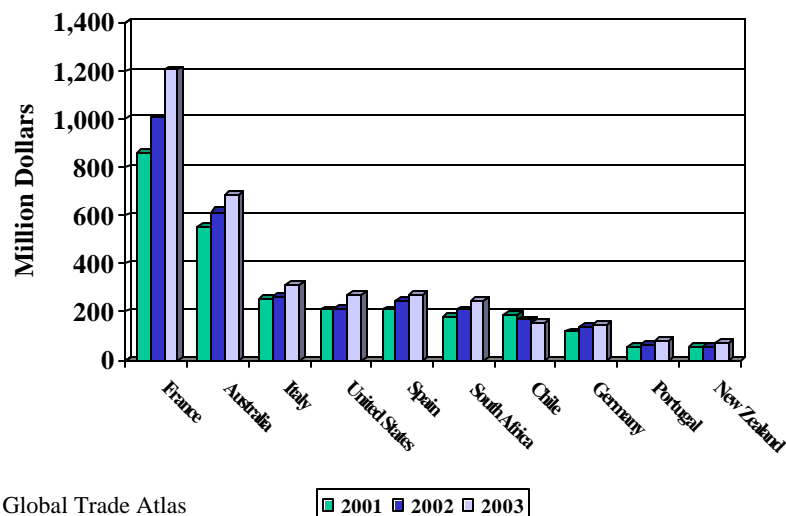
Sparkling wine market growth has taken place as United Kingdom consumers increase usage for more informal occasions. The export market share for France in the United Kingdom was stagnant in 2003, with slight gains in still wine, slight losses in sparkling wines, and slight losses in flavored wines and vermouth.

Though Australia showed slight decreases in still wine exports to the United Kingdom in 2003, it is proving to be a major competitor for the United States in this market

United Kingdom Customs data shows that European suppliers versus non-European suppliers (also known as the “New World” wine-producing countries) are currently on an

equal footing, with 50 percent of the wine imported into the United Kingdom coming from New World producers. Forecasters predict that the New World producers will continue to take market share from traditional European suppliers.

U.K. Wine Imports by Value



The May 1, 2004 ascension of 10 new countries into the European Union may affect United Kingdom wine imports. While United Kingdom wine imports from Bulgaria, Hungary and Romania are currently very low, trade sources report that wines from Eastern Europe could soon have a significant impact, although this will probably be at the lower end of the market and may not affect U.S. market share significantly. For more information on marketing wine in the United Kingdom, see GAIN report #UK4006.

Canada

Sales of domestic product: 871 thousand hectoliters (2002)

Total imports: \$852 million, 754.6 thousand hectoliters (2003)

Total exports: \$48 million, 232.7 thousand hectoliters (2003)

Sources: GAIN report, Global Trade Atlas, production figures not available, sales figures from W.S.S.J.V./Canadian Vintners' Association

Record cold in Canada caused considerable grape losses in the Niagara region, where a significant portion of the wine grapes are grown. According to industry sources, of the 11 grape varieties grown in Ontario, only 3 are expected to produce a normal crop. The previous year's good quality and quantity prompted an increase in production plans for 2003. This helped to offset some of the loss. More favorably, according to trade sources, the harvest of ice wine grapes was the earliest ever, December 3, 2003, bringing on a larger crop. Vineyard plantings, now almost exclusively *vitis vinifera* (such as chardonnay, reisling, merlot, pinot noir, carbernet sauvignon, among others), have increased over the past 6 years to approximately 7,500 hectares. According to *Euromonitor International*, wine in Canada is mainly produced in British Columbia (36 percent of total shipments) and Ontario (35 percent of total shipments). The industry is building a strong partnership with the tourism sector, which is facilitating the marketing of Canadian wine. Despite the growing volume of wine available on the Canadian market, Canada's domestic wine sector continues to expand. According to *Euromonitor International*, per capita consumption of wine in Canada was 10.4 liters in 2003, up from 8.2 liters in 1997.

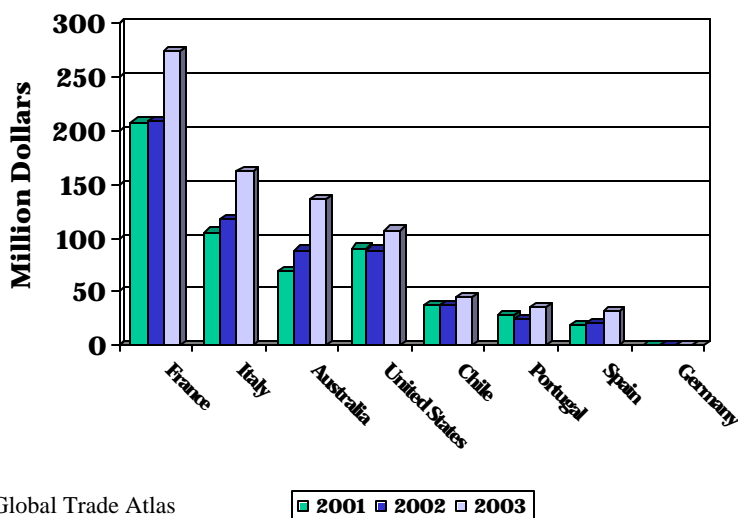
Canada continued to be the number two export market for U.S. wine. During 2003, the United States exported about \$111 million in wine to Canada, up \$19 million from 2002. About 89 percent of the wine shipped went in the form of bottled product, 10 percent as bulk, and only 2 percent as sparkling wine.

Canadians are developing an increasing taste for imported wines and in 2002, 66 to 68 percent of purchases were of imported wines. Sales of U.S. wines are facing increasing marketing challenges due to growing competition, particularly from Italy, Australia, Chile, and Spain, in addition to the already present significant competition from France.

Canada has four main export markets: the United States, Taiwan, Japan, and Singapore. Main targets for exports in 2003 included these countries in addition to

Hong Kong and the United Kingdom. The United States is Canada's largest export market, however, U.S. imports of Canadian wine have fallen from \$66.9 million in 2002 to 41.3 million in 2003, a drop of nearly 39 percent.

Canada Wine Imports by Value



Source: Global Trade Atlas

The Canadian wine industry received generic support. Canadian associations promoting international wine sales are the Canadian Vintners Association, and the two regional wine associations: the Wine Council of Ontario and the British Columbia Wine Institute. For more information on wine relating to Canada, see GAIN reports: #CA2100, #CA2098, #CA2021, #CA2026, and #CA2037.

Netherlands

Production: None

Total imports: \$790.6 million, 3.38 mhl (2003)

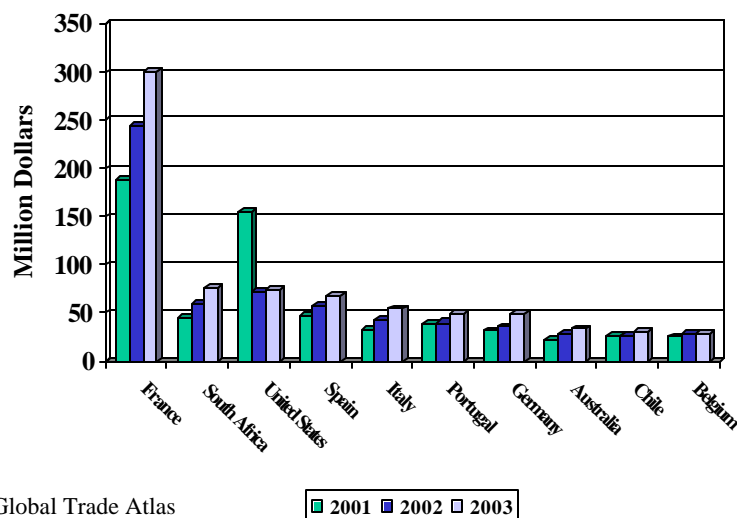
Total exports: \$140.8 million, 465.6 thousand hectoliters (2003)

Sources: GAIN report, Global Trade Atlas

Wine is not produced in the Netherlands. Dutch drinkers consumed 19.6 liters of wine per capita in 2003, up from 18.8 liters in 2000. Per capita consumption of lighter alcoholic drinks continues to increase, and red wine is said to be the most popular variety. According to *Euromonitor International*, there is an increasing preference for white wine. Dutch meals frequently feature meat (or cheese and sausage), which, combined with the cold climate, support consumer preferences for a more hearty wine type. Younger wine drinkers are more willing to experiment with different beverages, particularly New World wines.

U.S. wine shipments to the Netherlands increased nearly 9-fold from 1996 to 2000. However, sales in the following two years declined significantly. In 2003, sales of U.S. wine recovered nearly back to 2000 levels, with sales of \$74.7 million, a 40 percent increase from 2002. According to Global Trade Atlas, wine imports from all countries into the Netherlands increased 18 percent in 2003.

Netherlands Wine Imports by Value



Source: Global Trade Atlas

Wine re-exports are significant, with Germany being the primary destination. U.S. industry sources believe as much as 50 to 75 percent of U.S. product shipped to the Netherlands is trans-shipped to other destinations.

Japan

Production: 1.1 mhl (2002)

Total imports: \$995 million, 2.4 mhl (2003)

Total exports: \$39 million, 92.5 thousand hectoliters (2003)

Sources: GAIN report, Global Trade Atlas

In Japan, two types of wine are classified as domestic. These include wines that are produced with more than 50% domestic grapes and wines that are fermented in Japan. Some wine labeled domestic is actually a blend of domestic and imported wine, and some is made from imported grape must and fermented in Japan. Domestic wine production has been falling since 1998.

Deregulation of alcohol retailing, which took effect in September 2003, presents new opportunities as supermarkets and convenience stores find it easier to sell wine. The industry is optimistic that wine will become more appealing to the younger generations as the spirits beverage sector loses market share. The Japanese are showing an inclination towards drinking beverages that are lower in alcohol content due to greater awareness of health issues. Beer continues to be the most consumed alcoholic beverage. Because per capita wine consumption is well below that of Europe or the United States, substantial growth potential exists in the wine sector. According to *Euromonitor International*, per capita wine consumption in Japan was 8.8 liters in 2003, down from 10.5 liters in 1997.

Recovering from the stagnation that followed the wine boom of 1998,

Source: Global Trade Atlas

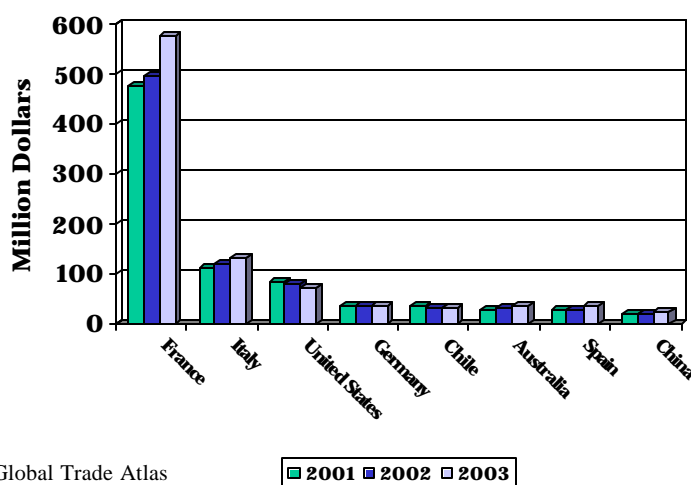
U.S. exports to Japan are enjoying expanding sales in terms of quantity. Shipments in 2003 to Japan

June 2004

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FAS/USDA
Ag Export Services Division

Japan Wine Imports by Value



increased 49 percent to 465,000 hectoliters. Exports last year consisted of 75 percent bottled product and 10 percent bulk. During 2002, the ratio was 87 percent bottled and 10 percent bulk. In 2001, 74 percent bottled and 21 percent bulk. Much of the bulk wine is bottled in country and marketed under a Japanese domestic brand name. Because of the import tariff level on bottled wine, Japanese manufacturers have a significant price advantage in re-bottling the bulk wine that is assessed at a lower tariff level. It appears that with abundant supplies of U.S. wine available, more bottled wines at better prices are making it into the Japanese market, perhaps at the expense of the domestic wine market.

The Wine Institute (WI) has been actively promoting California wines for over 15 years. Activities are primarily trade-oriented and include trade tastings, retail display programs, and the WI's groundbreaking Wine-By-The-Glass (WBTG) promotion. The WBTG supports restaurants and wine bars to conduct promotions of individual glass sales of California wines. Other wine producing states, including Washington and Oregon, are also attracting market interest. For more information, see GAIN report #JA536.

Top Competitor Countries for U.S. Wine

France

Production: 51.97 mhl (2002)

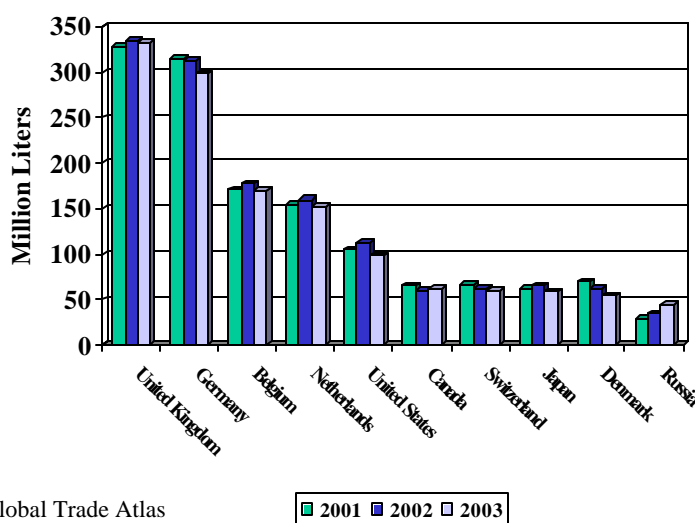
Total imports: \$565.6 million, 5.1 mhl (2003)

Total exports: \$6.6 billion, 15.4 mhl (2003)

Sources: GAIN report, Global Trade Atlas

France is the world's number one wine producer with 51 million hectoliters in 2002 and a 2003 vintage currently estimated at 48 million hectoliters. The heat wave in the summer of 2003 reduced harvest size but enhanced quality. The trend towards decreasing wine consumption in France continued last year and is expected to continue in coming years. Per capita wine consumption in France has decreased from 103 liters in 1980 to 58 liters in 2002.

France Wine Exports by Volume



Source: Global Trade Atlas

France continues to lose market share among its major clients to New World wines. According to Global Trade Atlas, French wine export quantities decreased over 3 percent in CY 2003. In terms of value, French wine exports increased almost 21 percent. Major destinations for French wine continue to be the United Kingdom, Germany, Belgium-Luxembourg, the Netherlands, and the United States. The U.S. market represents 6.4 percent in volume and 16.3 percent in value of France's export market. Although the United States represents less than 2 percent of total French wine imports, French imports of U.S. wines have been growing steadily from 18,390 hectoliters in 1995 to 103,320 hectoliters in 2003, an increase of well over 400 percent.

The French Office of Wines and Vines (ONIVINS) had a budget in calendar year (CY) 2002 of €10.4 million (\$11.6 million, using the same exchange rate as on page 8) for financing domestic and international promotional campaigns. For more information see GAIN report #FR3072.

Italy

Production: 47.2 mhl (2003)

Total imports: \$273.7 million, 1.58 mhl (2003)

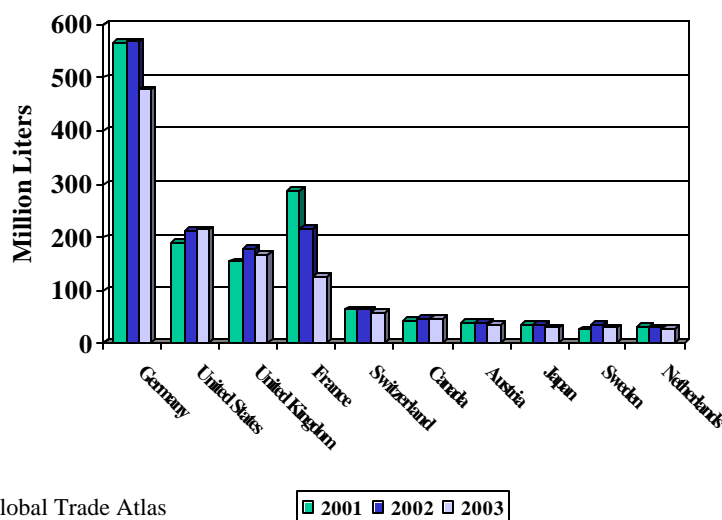
Total exports: \$3.2 billion, 14.3 mhl (2003)

Sources: GAIN report, Global Trade Atlas

Italy's 2003 wine production rose by 6 percent from 2002 to 47.2 million hectoliters, but remained well below the average level of the previous years. Drought and heat affected the quantity and quality of the crop, as some vineyards are located in areas that are not easily irrigated. After declines in the 1980s and 1990s, the area planted to grapes has begun to stabilize at about 800,000 hectares.

Total domestic wine consumption keeps declining, although at a lower rate than in the past. Declining wine consumption is a reality in modern Italy as lifestyles change.

Italy Wine Exports by Volume



Source: Global Trade Atlas

Consumers are not drinking wine as frequently at lunch as in the past and when they do consume it, they tend to favor higher quality wines. According to *Euromonitor International*, per capita wine consumption in Italy was 49.9 liters in 2003, a drop from 61.4 liters in 1997.

According to Global Trade Atlas, 2003 Italian wine exports increased 13 percent in value and decreased 1.2 percent in volume. Germany is the top export market for Italian wine, while the U.S. market accounts for 13 percent by volume, and France accounts for 12 percent by volume of Italian exports. The United States imported 19 percent more wine from Italy in value and nearly 6 percent in volume during 2003. Italy has been the top wine supplier to the United States in terms of volume for many years.

Shipments of U.S. wine to Italy continue to be minimal. Italy imports 72 percent of its wine from France and Spain. For more information see GAIN report #IT3029.

Spain

Production: 36 mhl (2002)

Total imports: \$106.9 million, 345 thousand hectoliters (2003)

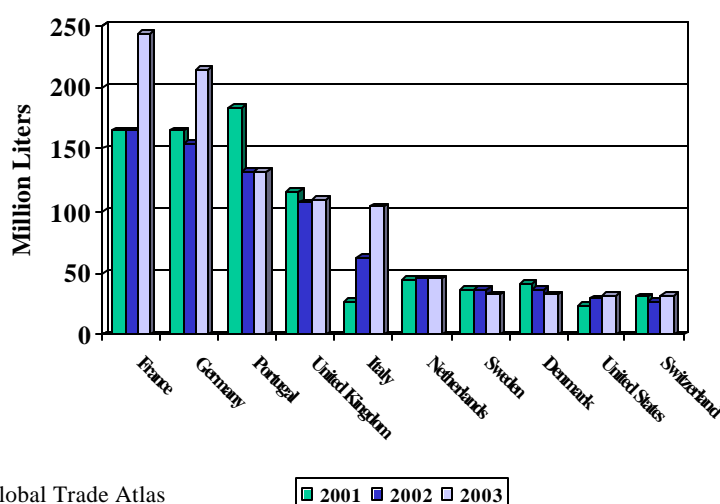
Total exports: \$1.7 billion, 12.4 mhl (2003)

Sources: GAIN report, Global Trade Atlas

Spain's 2003 wine vintage is currently estimated at about 37 million hectoliters. Last summer's heat wave reduced harvest size but enhanced quality. Spain continues to have the most area under vines in the world, accounting for one third of vineyards in the European Union. However, Spain's production ranks third following France and Italy and is more variable, since it must contend with poor rainfall and soil. Wine consumption in Spain is declining due to consumer habits, anti-alcohol

campaigns, and increased competition from other beverages including bottled waters and beer. Per capita consumption of bottled wine in Spain was 29.6 liters in 2002, down from 34.6 liters in 1999. Table wine

Spain Wine Exports by Volume



Source: Global Trade Atlas

consumption in Spain is declining and quality wine consumption is growing slowly.

U.S. wine imports from Spain rank fifth after Italy, Australia, France, and Chile in terms of volume and fourth after France, Italy, and Australia in terms of value. The import volume was up 14 percent and import value figure was up 19 percent during 2003. For more information see GAIN report #SP3040.

Australia

Production: 9.9 mhl (2002)

Total imports: \$106.2 million, 164.2 thousand hectoliters (2003)

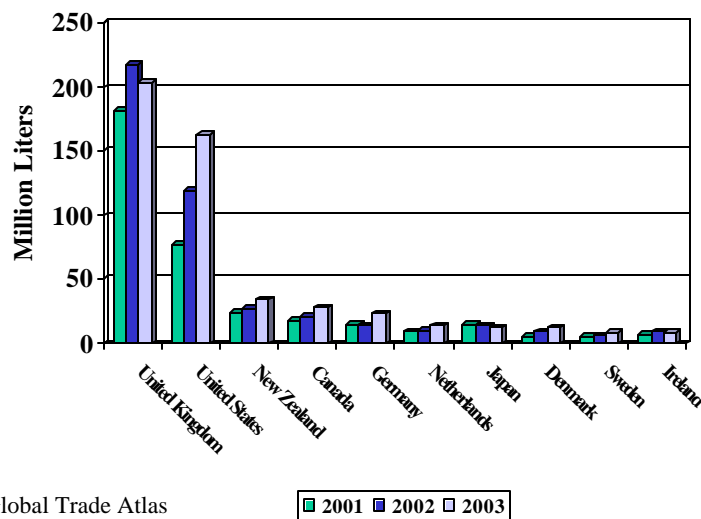
Total exports: \$1.5 billion, 5.4 mhl (2003)

Sources: GAIN report, Global Trade Atlas

Australian wine production during 2003/04 is expected to increase by nearly 18 percent at 12.5 million hectoliters, driven by increased plantings and more normal weather following a drought. This production is estimated to be about 34 percent white wine and 57 percent red. Grape prices have been under pressure with the larger output over the past several years. Growth of domestic wine consumption has picked up considerably, with domestic wine sales now growing at an 8-9 percent annual rate. However, overseas shipments have exceeded domestic sales since 2001/02. Per capita wine consumption in Australia for 2002 was just below 20 liters. This represents an increase from the *Euromonitor International* reported level of 18.8 liters per capita in 1997.

U.S. imports of Australian wine ballooned during 2003, up nearly 37 percent for the year in terms of value and over 36 percent in terms of volume. During 2003, Australia had almost 24 percent of the total U.S. import market. Increased production, lower prices, and globalization have created pressure for industry restructuring and consolidation. Large Australian stocks encouraged movement into export markets despite the Australian dollar strengthening in value. Australia has become a major competitor with the United States in our primary market, the United Kingdom.

Australia Wine Exports by Volume



Source: Global Trade Atlas

Australian companies are buying wineries and seeking acquisitions and partnerships abroad to take advantage of growth projected for markets overseas. For example, Australia's Foster's (Berringer Blass), considered to be one of the three largest wine groups in the world, increased their wine holdings in Australia. Constellation Wines, one of the other "big three", recently bought BRL Hardy, Australia's largest wine producer by volume. For more information, see GAIN report #AS3018.

Argentina

Production: 12.7 mhl (2002)

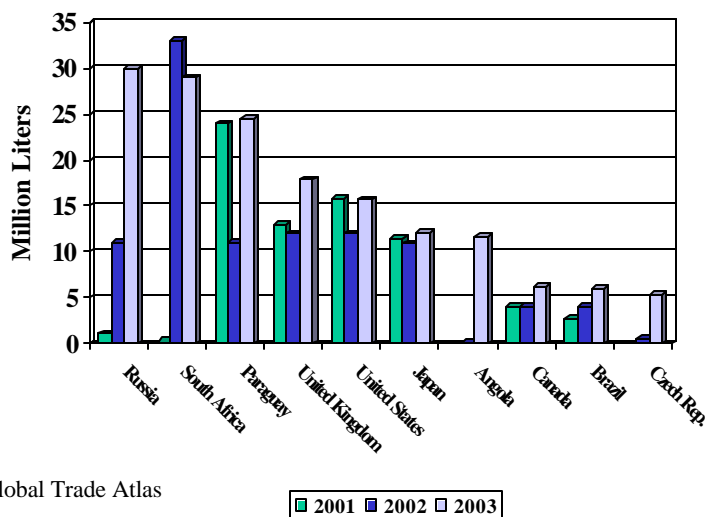
Total imports: \$1.2 million, 3.6 thousand hectoliters (2003)

Total exports: \$175.6 million, 2 mhl (2003)

Sources: GAIN report, Global Trade Atlas

CY 2002 ended with a total wine and must production of 12,695,145 hectoliters and 4,428,300 hectoliters respectively. April 2003 production estimates were 12,695,000 hectoliters for wine and 4,429,000 hectoliters for must. Per capita wine consumption in Argentina was 36 liters in 2002.

Argentina Wine Exports by Volume



Source: Global Trade Atlas

Export volumes for all wine categories were boosted by a favorable exchange rate and steady international demand, with an expected growth in CY 2003 of 18 percent. Export values are not expected to grow as much as volumes in CY 2003 due to low international prices. Export value growth did not exceed 13% (\$7 million) in the time frame of January-May 2003. Imports are not expected to recover in CY 2003 due to the high exchange rate and the economic recession in Argentina.

Argentina ranked 10th as a supplier of wine to the U.S. in volume and 8th in value in CY 2003. Imports from Argentina to the U.S. grew in CY 2003 by 16 percent in volume and by almost 7 percent in value.

Argentina's wine sector still holds a great deal of promise and is expected to grow in CY 2003. Foreign

companies continue to invest cautiously in their already-existing operations and are looking to expand their landholdings. For more information, see GAIN report #AR3030.

South Africa

Production: 9.6 mhl (2003)

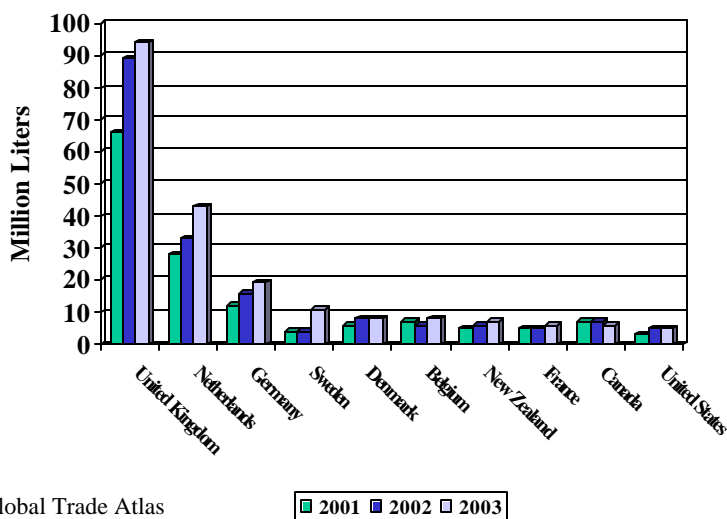
Total imports: \$12.5 million, 440 thousand hectoliters (2003)

Total exports: \$428 million, 2.3 mhl (2003)

Sources: GAIN report, Global Trade Atlas

In South Africa, wine producers are expecting a better harvest both in terms of quality and volume for 2003. Total wine production is estimated at 9.3 thousand hectoliters. The 2004 season is expected to have an average production because of weather conditions in the Western Cape during December and January of 2003. Domestic consumption is expected to rise by 4 percent. Per capita consumption of wine in South Africa was 8.95 liters in 2002, down from 9.75 liters in 1997.

South Africa Wine Exports by Volume



Source: Global Trade Atlas

South Africa's wine industry has undergone major changes in the last 10 years. Recent developments include the establishment of a new regulatory and institutional framework. The free market system has created huge export opportunities but also strict competition from other wine producing countries. A high demand for red wine is forcing South Africa to shift its plantings in favor of red wine varieties.

South Africa's wine exports jumped 23 percent in 2002 partly in response to a weaker Rand. Since that time, there was an improvement in the Rand that was expected to benefit U.S. wine exporters in 2003. However, U.S. wine exports to South Africa continue to be minimal at \$36,000 in value and 342 hectoliters in volume in CY 2003. In CY 2003, South Africa ranks 11th as a supplier of wine to the U.S. in both volume and value. Imports from South Africa to the U.S. grew in CY 2003 by 21 percent in volume and

by 38 percent in value.

South Africa benefits from a duty-free treatment for its wine exports to the U.S. under the African Growth and Opportunity Act (AGOA). For more information, see GAIN report #SF4005.

Chile

Production: 5.8 mhl (2001 for marketing year Jan.-Dec. 2002)

Total imports: \$894 thousand, 90 thousand hectoliters (2003)

Total exports: \$680 million, 4 mhl (2003)

Sources: GAIN report, Global Trade Atlas

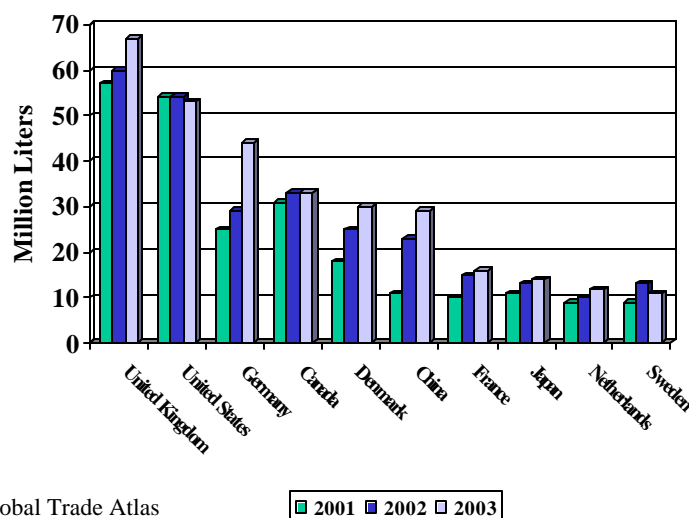
The Chileans continue their drive to improve the quality of their wine. Wine production of 5.8 million hectoliters for MY 2001 (Jan.-Dec. 2002) was slightly smaller than forecasted, in spite of a significant increase in the harvested area. Total production for MY 2002 (Jan.-Dec. 2003) is expected to remain similar to MY 2001.

Over 60 percent of Chile's total yearly wine production is exported.

Chile continues to be the fourth-largest wine supplier to the U.S. market, supplying about 4 percent of U.S. imports during 2003, down from the 5 percent seen during 2002. According to *Euromonitor International*, per capita consumption of wine in Chile was 14.9 liters in 2003. up from 11.4 liters in 1997.

Source: Global Trade Atlas

Chile Wine Exports by Volume



The Chilean wine industry does not expect to significantly increase exports to the European Union, despite the signing of a Free Trade Agreement, since duties were already low. The Free Trade Agreement with the U.S. also is expected to have only a limited effect on wine export volumes to the U.S. as the duty of 6.3 cents per liter is scheduled to be phased out over 12 years. For more information see GAIN report #CI3012.

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